

Message Text

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FM AMEMBASSY ADDIS ABABA

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E.O. 11652: N/A

TAGS: BGEN

SUBJECT: MANDRELL INDUSTRIES FACING MAJOR TAX PROBLEMS

REF: ADDIS 8109 AND PREVIOUS

1. EMBASSY OFFICER RECENTLY DISCUSSED MANDRELL INDUSTRIES' (SUB-CONTRACTOR OF TENNECO) TAX PROBLEMS WITH LOCAL REPRESENTATIVE OF PRICE WATER HOUSE (MANDRELL'S ACCOUNTANTS IN ADDIS). THE REPRESENTATIVE, WHO REQUESTED THE MEETING, STATED THAT HE IS QUITE CONCERNED ABOUT THE TAX CASES PENDING AGAINST MANDRELL WHICH NOW TOTAL CLOSE TO ETH\$1.6 MILLION AND COULD GO EVEN HIGHER. IN SPITE OF SUGGESTIONS BY PRICE WATERHOUSE THAT KNOWLEDGEABLE OFFICERS FROM MANDRELL'S HEADQUARTERS COME TO ADDIS TO ASSIST IN PREPARING AND PRESENTING MANDRELL'S CASE TO THE TAX AUTHORITIES, MANDRELL HAS THUS FAR DECLINED TO SEND ANYONE. THE REASONS FOR THIS ARE NOT ENTIRELY CLEAR BUT APPEAR TO RELATE TO MANDRELL'S CONCERN THAT REPRESENTATIVES WOULD NOT BE PERMITTED TO LEAVE ADDIS UNTIL THESE TAX CASES WERE CLEARED UP. NEITHER PRICE WATERHOUSE NOR THE EMBASSY BELIEVES THAT THE EPMG WOULD TAKE SUCH ACTION, HOWEVER, AS LONG AS A MANDRELL EXPATRIATE REPRESENTATIVE (GEORGE GLASCOE AT THE MOMENT) WITH POWER OF ATTORNEY FOR THE COMPANY REMAINS IN THE COUNTRY.

2. IN VIEW OF THE SIZE OF THIS TAX DISPUTE AND THE LIKELIHOOD THAT IT WILL BECOME MORE COMPLICATED AS TIME PASSES (THE MINISTRY OF FINANCE IS BECOMING MORE AND MORE RIGID IN APPLYING ETHIOPIAN TAX LAWS), THE EMBASSY RECOMMENDS THAT THE DEPARTMENT GET IN TOUCH WITH MANDRELL HEADQUARTERS AND SUGGEST THAT THEY

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CONSIDER SENDING APPROPRIATE OFFICERS TO ETHIOPIA TO ASSIST IN

RESOLVING THEIR TAX CASES. THE EMBASSY REALIZES THAT THIS IS ESSENTIALLY A MATTER BETWEEN THE EPMG AND MANDRELL. NEVERTHELESS, IT IS POSSIBLE THAT MANDRELL DOES NOT REALIZE THE GRAVITY OF ITS SITUATION AND THE PROBABILITY THAT IT WILL GET WORSE IF ALLOWED TO DRAG ON. CONSEQUENTLY, THE EMBASSY BELIEVES IT WOULD BE WISE TO GO ON THE RECORD WITH MANDRELL NOW IN ORDER TO AVOID ANY RECRIMINATIONS LATER.

3. SHOULD THE DEPARTMENT DECIDE TO PURSUE THIS COURSE, REFERENCE TO PRICE WATERHOUSE'S ROLE IN DRAWING THIS MATTER TO THE EMBASSY'S ATTENTION SHOULD BE MINIMIZED AS THIS INFORMATION WAS PROVIDED IN CONFIDENCE ALBEIT IN THE HOPE THAT THE EMBASSY WOULD INTERVENE TO THE EXTEND OF URGING MANDRELL TO PROVIDE GREATER ASSISTANCE IN RESOLVING THEIR TAX PROBLEMS.
HUMMEL

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